Compliance a Tool for Indian Manufacturing Exports for Better Competitiveness in the US Market

In India, the MSMEs are a significant part of the manufacturing sector. On the whole, MSMEs of the manufacturing sector contribute 30%-40% of the value addition in the manufacturing sector and about 35% of the total exports from India. Indian MSMEs need to be more competitive to fully capitalize on the opportunities in the international market.

Information Technology has emerged an important tool in the manufacturing competitiveness of MSMEs. IT helps MSMEs in the entire value chain, be it process efficiency or facilitating knowledge management. Enhanced and optimal usage of Information Technology puts MSMEs at par with larger organizations and MNCs. However, now a days MSMEs have newer option available like cloud computing and availability of Software as a

The recent changes in the global export environment demand compliance in different areas, like environment, labour and more recently, information technology.

Service (SaaS). Lot of options like for paying as per the use, are also available in the market. This trend will enhance IT usage by MSMEs, as the MSMEs have to make limited capital investment for ownership of the software; on the other it will check the level of piracy.

In the current emerging scenario, it is becoming increasingly important to use only Genuine IT products to remain competitive. The Unfair Competition Act (UCA) enacted in US gives their state governments, the power to track down the use of non-genuine information technology (IT) at any point in the entire manufacturing process i.e. from raw material purchase to manufacturing to marketing and export. This means that now onwards US importers will be forced to source their imports only from the IT compliant companies i.e. the companies who are using legal and genuine software.

UCA and its implication on Indian manufacturing exports

According to the UCA, "a business that manufactures a product, for the US market, with stolen or misappropriate software and hardware in its business operations engages in unfair competition, either sold separately or as a component of another product, in competition with the product made without the use of stolen IT". The act also mandates US importers to ensure that no illegal IT is been used by any of its suppliers and in their value chain in the process of producing any product being imported in the USA. This situation has brought the US importers to prefer compliant suppliers, instead of their existing non compliant suppliers.

We all know that nearly half of the world's personal computers use pirated software; in India, it's worse. 'Only about one-third of the software used is genuine', according to Business Software Alliance (BSA), a community of software publishers. USA is the second largest export market for the Indian manufactures, it is important that the Indian manufacturers consider aspects of both software as well as hardware compliance.

However India stand at a comparatively better off position with low IT piracy of 63% compared to its competitors like China, Thailand, Indonesia in the US market who have IT piracy of 77%, 77%, 86% respectively. With such a high pirated IT usage, these rivals, particularly China, hold a share of nearly 10 times

the USA imports from India. This gap in the US market is an opportunity for the Indian manufacturing exporters. Indian exporters can grab this gap with an early compliance before their rivals take it away.

Immediate measures for manufacturers to optimize the opportunity

As already stated, this immense opportunity in the US can be realized by the Indian manufacturers and exporters with an early move towards compliance. For this the exporting and manufacturing firms need to ensure that they have all certification or licenses of ownership and compliance of their software and hardware asset. For this they can make use of some of the few offline and online tools as briefed below.

- **Internal Review:** Firms can implement basic Software Asset Management (SAM) guidelines and regularly audit their organization's use of software assets by approaching any authorized software publisher. These publishers shall then conduct a software audit and grant them the compliance certificate. Major software publishers have internal compliance teams that partner with trained third-parties to conduct third party SAM Reviews. Ongoing SAM processes can ensure license compliance, reduction in costs, cyber security, protection from legal and reputational risks and increase in information technology and end-user efficiencies.

- **CSS (O) Certification:** The Business Software Alliance (BSA), a non-profit association of software publishers has launched the CSS (O) – 'Certified in Standards Based SAM for Organizations' certification, which certifies an organization's internal SAM processes vis-à-vis the ISO 19771 SAM standard. Organizations can undergo this audit through BSA and receive the certification, which is valid for two years.

- **Licensed Management Registry VERAFIRM.ORG:** This is an online software license management registry created by BSA. It is a self-guided, self-declaration portal for companies to maintain, monitor and demonstrate their software usage. With the help of this portal, firms can freely register themselves, document their soft asset deployment details together with the entitlements and then can get the digital badge which can be incorporated in the firm's website as well. The firms having registered with Verafirm, get visibility to the US market and can help them make business tie ups with players in the international market who wish to trade with compliant and ethical firms.

It is very imperative for Indian manufacturers and exporters to make themselves ready to capitalize on the opportunities available with this new IT compliance legislation. In this situation, with UCA, there is immense opportunity for the Indian manufacturers and suppliers, which can be mobilized easily with the measures briefed above.

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